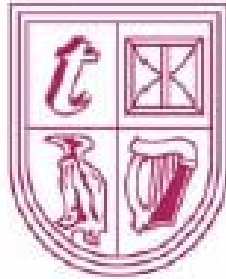


**SAI Convention
GI Forum
22 May 2008**



Agenda

- Introduction
 - Dick Tulloch
- PIAB
 - Declan Moore
- Reinsurance SAO's
 - Paul Duffy
- QIS4
 - Dick Tulloch



GI Forum 22 May 2008



QIS4 - Message from the Financial Regulator

- QIS4 was launched on April 1st, and spreadsheets have been added and updated
- The Financial Regulator has conducted 2 workshops already and has 2 more planned (Life on 22nd 3 pm, Non-life 27th 2.30 pm both in Westbury)
- The EC has targeted a participation rate of 25% by number of entities. To achieve this we need approximately double the number of firms that completed QIS3.
- This QIS will provide the main quantitative input that will be used by CEIOPS in the development of its final advice on level 2 implementing measures, which is due in October 2009. Considering the importance of the exercise at this stage of development of the Solvency II framework, it is of major importance to have a high participation rate across the Irish insurance and reinsurance market.
- The Irish non-life participation (direct and reinsurance) has been well behind its life colleagues and if participation rates are to increase, it has to come from this source!



QIS4

- Objectives
 - Further consideration of the calibration of the standard model
 - Collect information on status of internal models
 - Group aggregation measures considered
- Timeline
 - 7 July returns to Financial Regulator
 - Report Nov 2008
- Documents etc. www.ceiops.eu



CEIOPS Spreadsheets

<i>Spreadsheets and IT Tools: Workbook</i>	
1.a	Spreadsheet Solo Entities (revised)
1.a-1	Patching tool NEW
1.a-2	Spreadsheet patch documentation
1.b	Helper Tabs to Solo Entities (revised)
1.c	Adapted Technical Specifications linked to spreadsheet Solo
1.d	Simplification tabs for solo companies
1.e	Spreadsheet plug-in for the Internal Models
1.f	Best Estimate Valuation Tool
1.g	QIS4 Best Estimate Valuation Tool User's Guide
2	Spreadsheet for groups (not yet available)
3	Spreadsheet Instructions NEW
4	Term Structures (revised)
5	Qualitative Questionnaire Solo
6	Qualitative Questionnaire Groups
7	Operational risk questionnaire QIS4
8	Qualitative Questionnaire Internal Models (not yet available)



QIS4

- Structure
 - QIS4 dedicated input and output sheets plus database
 - QIS3 logically went through each SCR
 - Less locks – password “empty”
 - Datasets
 - Colour coded - light blue inputs
 - Helper & simplification sheets
 - Links to technical specs



QIS4

- General
 - Total Balance sheet approach
 - All assets not just those backing liabilities
 - Market values



QIS4

- Simplifications & Proxies
 - Details in Technical specs where these can be used
 - Proxy
 - Tree approach
 - 14 examples
 - Simplifications
 - Types of contracts not complex
 - Line of business simple by nature
 - Liability not material in absolute terms
 - <€10 Mil or <10% of gross best estimate (agg <30% of gross best estimate)
 - Separate link in spreadsheet



QIS4

- Health Business
 - Now includes the QIS3 Classes of Workers Comp & Accident & Health
 - Geographical Spread – 54 countries or groups



QIS4

- Non-Life Business (Premium & Reserve)
 - changes to level of past experience for own experience credibility
 - Based on discounted best estimate yr end Accident loss ratios not combined ratios
 - Geographical spread – 54 countries or groups
 - Motor classes – 3rd party & other
 - Proper premium reserve not just UPR
 - Undertaking-specific parameters - Companies can use their own parameters provided underlying assumptions similar to standard



QIS4

- Non-Life Business (Premium & Reserve)
 - Reserves – discounted best estimate gross, but net reserves to allow for some element of bad debt provision
 - Estimate based on potential cash flows
 - Actuarial practice undiscounted ultimate outcome and then applying a suitable payment pattern to the estimate



QIS4

- Non-Life Business (CAT Risk)
 - Personalised scenarios
 - No Irish scenario entry
 - Standard factor



QIS4

- Risk Margin
 - Market risk and reinsurance counterparty no longer part of the calculation
 - SCR at time zero now included
 - Rather than the QIS3 runoff approach, QIS4 is encouraging calculation of future SCR's for input
 - Simplification tab available
 - No diversification effects (lob calculation)



QIS4

- Assets – All assets
 - Interest Rate Risk – helper tab
 - Spread Risk – helper tab
 - Concentration Risk – helper tab
 - Equity Risk – simple % for either Global or Other
 - Currency Risk – simple %



QIS4

- Default Risk
 - Accepts that some recovery from defaulting reinsurers will occur
 - Require SCR_{nl} gross and net
 - Underwriting for reinsurance
 - Market for derivatives
 - Bad debt element considered in SCR_{nl} calculation



QIS4

- Operational Risk
 - Still % approach based on Earned Premiums and gross Technical provisions
 - Caped at 30% BSCR
- Deferred Taxes
 - Based on immediate loss of SCR
 - Downward adjustment of Deferred taxes applied to total SCR



QIS4

- MCR
 - Linear not modular
 - MCRnl based on tech provisions and premium for each line of business
 - with a limit to SCR of $>20\%$ and $<50\%$
 - and an absolute floor value (€1M)